



Written by [Raven Clabough](#) on May 28, 2014

Expanded Medicaid Enrollment Under ACA Likely to Increase Taxes

While Americans are already experiencing a rise in their health insurance premiums under ObamaCare, it seems taxpayers may also see an increase in their taxes as a result of the costliness of Medicaid — also attributable to the same healthcare law.

State Medicaid budgets are being strained because of increased Medicaid enrollment, seen in more than half the states across the country regardless of whether they elected to expand Medicaid eligibility.



Seventeen states that elected not to expand eligibility for Medicaid under the new healthcare law still managed to end up with more program beneficiaries: over 550,000 people who signed up for Medicaid coverage between October and March.

Georgia is one of the states that opted not to expand Medicaid coverage but witnessed an additional 99,000 new Medicaid enrollees, an increase of 5.8 percent. Likewise, 58,000 more residents in North Carolina enrolled, and South Carolina and Tennessee each saw 54,000 new Medicaid beneficiaries.

Many experts believe the increases resulted from the hoopla surrounding the Affordable Care Act. Devon Herrick, senior policy analyst at the National Center for Policy Analysis, explains it is the “woodwork effect.” Before the implementation of the healthcare law, there were approximately 50 million uninsured Americans, 12 million of whom were eligible for Medicaid, but unenrolled.

“It was a pain to enroll, and if they got sick, they could always enroll after the fact,” Herrick explains. “Now, states are required to have a one-stop shop to screen you for Medicaid and subsidies. And under the individual mandate, they have to enroll.”

The individual mandate requires that all Americans have health insurance or face a penalty of either \$95 or one percent of their annual income.

And Herrick indicates that Medicaid enrollees who are not part of the expansion are being covered only by federal reimbursements of up to 60 percent, which is costing states significantly more than expected.

But the increased enrollment was not limited merely to those that did not expand Medicaid eligibility.

Fox News writes:

Medicaid enrollment has increased due to the expansion of the program and the individual mandate, and the growth is weighing on states’ budgets.

The ACA allows states to expand Medicaid eligibility to those who are making 138 percent of the federal poverty level, which is about \$16,100 annually. The federal government picks up the cost through 2016, and then it drops down to 90 percent in the following years. About half of states nationwide have expanded their Medicaid programs.

Rhode Island reported that upwards of 5,000 people signed up for coverage. “Clearly we are going to



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need to do our best to make sure we are working within the budget we are given,” noted Deidre Gifford, Rhode Island’s Medicaid director.

In California, an additional 300,000 people are expected to sign up. The recent budget of the state’s Democratic Governor Jerry Brown projects an additional \$1.2 billion in Medicaid costs.

“Our policy goal is to get people covered, so in that sense it’s a success,” said state legislator Richard Pan, a Democrat who heads the California State Assembly’s health committee. “We are going to have to deal with how to support the success.”

And in Washington State, those who were previously eligible for Medicaid now represent approximately one-third of new Medicaid enrollments, about 165,000 out of the nearly 500,000. State officials assert they are treating that number as merely a preliminary figure, however, in hopes that the increase may lower when some drop out of the program for reasons such as getting a job with health coverage.

Ironically, the governors of Rhode Island, California, and Washington State all strongly supported the healthcare law, promoting outreach campaigns to encourage individuals to sign up.

With or without expanded Medicaid eligibility, states are feeling the financial burden. “Though expansion states saw larger total enrollment increases, enrollment of these previously eligible individuals is significant in many non-expanding states,” observed Matt Eyles, executive vice president of the market research firm Avalere.

Under the health law, the federal government pays all medical costs for newly eligible program beneficiaries in expansion states for the next three years and no less than 90 percent of their costs after the end of those three years.

Non-expansion states, however, “only receive their standard matching rate for these previously eligible beneficiaries,” said Avalere vice president Caroline Pearson, adding, “As a result, many of these non-expansion states that politically oppose the ACA are now facing unexpected financial and operational pressure due to woodwork enrollment.”

Fox News observes, “A recent report from the market research firm Avalere Health found Georgia enrollment increased by nearly 6 percent. Montana saw a 10 percent rise and South Carolina 5 percent.”

One major exception, however, is the state of Texas, which has barely observed any increase.

And the strain will only increase. As noted by California’s *Sacramento Bee* newspaper, since Medicaid enrollment continues year-round, “woodwork enrollment in non-expansion states will likely continue throughout 2014, putting even more strain on their state Medicaid budgets.”

The increased costs spell trouble for state budgets. “Anyone who didn’t budget for this is going to be behind the eight ball,” said Avalere CEO Dan Mendelson. “It’s the kind of thing governors will want to discuss with the White House.”

According to experts, states should have prepared for such an increase. The Congressional Budget Office had estimated an additional \$46 billion in costs nationwide for Medicaid.

Judy Solomon, vice president for Health Policy at the Center on Budget and Policy Priorities, said, “When CHIP [Children’s Health Insurance Program] was enacted in 1997, it brought in a lot of children who were already eligible for Medicaid.... There was always the assumption that people who were eligible would enroll.”



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During the debate over the healthcare law, states predicted they would face problems if Medicaid-eligible people signed up for Medicaid in droves. They lobbied (without success) to acquire more money for that group, explains Ray Scheppach, former top staffer for the National Governors Association.

“States are concerned about this,” said Scheppach. “It’s something they had been worried about right along.”

So where will the money come from for the additional Medicaid costs? Herrick believes it will come from raised taxes or cuts in educational programs. “Medicaid and education typically run neck-and-neck for the most expensive things that states pay for,” he said. “It’s typically about 20% of a state’s budget for Medicaid and education isn’t far behind. The hard choice will be whether they should cut back on programs or raise taxes. I think they will do both.”

Herrick predicted that the tax increases will hit over the next two or three years, particularly as Medicaid reimbursements drop from 100 percent to 90 percent.

“Medicaid consumes nearly one in four dollars of state budgets. If the cost of Medicaid rises by 2 percent over the next couple of years, states will have to boost taxes between 5 percent and 10 percent,” stated Herrick.





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